

An Appraisal of Financial Management Practices on the Growth of Micro Enterprise in Kenya

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Abstract:

Governments in different parts of the world are increasingly promoting and supporting the growth of Micro and Small enterprises as part of their overall national development strategy. The sector plays an important role in economic development and act as vehicle for low-income people to escape poverty through market-driven, productive activities for growth of the economy. Consequently because of their role and significance to the economic development they have become a major research area in developing countries. Studies have been conducted highlighting the constraints which affect the growth of micro-enterprises with a view to bring to the solutions but with no in-depth. Most the enterprises growth still stagnate and eventually fail. Their failure rates are always attributed to lack of management skills by most owner managers. As a result, there is need to carry out studies on the management practices of micro enterprises in regard to financial practices. The objective of this study was to appraise the financial management practices on growth of Jua Kali enterprises in Kenya. The study adopted the descriptive research design to assess the growth in regards to financial practices.

The target population was 150 owner managers of micro enterprises registered under Jua Kali enterprises. Considering the population was not a homogeneous, stratified random sampling technique was used as the most appropriate to determine the study sample of 50 respondents. The primary data was collected through structured questionnaires. The data was analysed using both descriptive and inferential statistics with the help of the Statistical Package for Social Sciences. Linear regression analysis was employed to determine the degree of relationship between the financial management practices and growth. The result showed that financial management practices had a strong positive relationship on the growth of Jua Kali enterprises with a Pearson correlations coefficient of 0.629 at 95 percent significance level ($p=0.001$). The study concluded that financial management practices have an influence on the growth of micro enterprise hence the need for owner managers to embrace appropriate management practices to grow their businesses that help spur economic development and create more employment, in line with Kenya's vision 2030.

Keywords:

Employment Creation, Financial Management Practices, Micro-Enterprises Growth

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